

107TH CONGRESS
1ST SESSION

H. R. 249

To amend the Internal Revenue Code of 1986 to permit private educational institutions to maintain qualified tuition programs and to provide that distributions from such programs which are used to pay educational expenses shall not be includible in gross income.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 30, 2001

Mr. BACHUS introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to permit private educational institutions to maintain qualified tuition programs and to provide that distributions from such programs which are used to pay educational expenses shall not be includible in gross income.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “College Savings Pro-
5 tection Act”.

1 **SEC. 2. MODIFICATIONS TO QUALIFIED TUITION PRO-**
 2 **GRAMS.**

3 (a) ELIGIBLE EDUCATIONAL INSTITUTIONS PER-
 4 MITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

5 (1) IN GENERAL.—Section 529(b)(1) of the In-
 6 ternal Revenue Code of 1986 (defining qualified
 7 State tuition program) is amended by inserting “or
 8 by one or more eligible educational institutions”
 9 after “maintained by a State or agency or instru-
 10 mentality thereof”.

11 (2) PRIVATE QUALIFIED TUITION PROGRAMS
 12 LIMITED TO BENEFIT PLANS.—Clause (ii) of section
 13 529(b)(1)(A) of such Code is amended by inserting
 14 “in the case of a program established and main-
 15 tained by a State or agency or instrumentality there-
 16 of,” before “may make”.

17 (3) CONFORMING AMENDMENTS.—

18 (A) Sections 72(e)(9), 135(c)(2)(C),
 19 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and
 20 6693(a)(2)(C) of such Code are each amended
 21 by striking “qualified State tuition” each place
 22 it appears and inserting “qualified tuition”.

23 (B) The headings for sections 72(e)(9) and
 24 135(c)(2)(C) of such Code are each amended by
 25 striking “QUALIFIED STATE TUITION” and in-
 26 serting “QUALIFIED TUITION”.

1 (C) The headings for sections 529(b) and
 2 530(b)(2)(B) of such Code are each amended
 3 by striking “QUALIFIED STATE TUITION” and
 4 inserting “QUALIFIED TUITION”.

5 (D) The heading for section 529 of such
 6 Code is amended by striking “**STATE**”.

7 (E) The item relating to section 529 in the
 8 table of sections for part VIII of subchapter F
 9 of chapter 1 of such Code is amended by strik-
 10 ing “State”.

11 (b) EXCLUSION FROM GROSS INCOME OF EDU-
 12 CATION DISTRIBUTIONS FROM QUALIFIED TUITION PRO-
 13 GRAMS.—

14 (1) IN GENERAL.—Section 529(c)(3)(B) of such
 15 Code (relating to distributions) is amended to read
 16 as follows:

17 “(B) DISTRIBUTIONS FOR QUALIFIED
 18 HIGHER EDUCATION EXPENSES.—For purposes
 19 of this paragraph—

20 “(i) IN-KIND DISTRIBUTIONS.—No
 21 amount shall be includible in gross income
 22 under subparagraph (A) by reason of a
 23 distribution which consists of providing a
 24 benefit to the distributee which, if paid for
 25 by the distributee, would constitute pay-

1 ment of a qualified higher education ex-
2 pense.

3 “(ii) CASH DISTRIBUTIONS.—In the
4 case of distributions not described in
5 clause (i), if—

6 “(I) such distributions do not ex-
7 ceed the qualified higher education ex-
8 penses (reduced by expenses described
9 in clause (i)), no amount shall be in-
10 cludible in gross income, and

11 “(II) in any other case, the
12 amount otherwise includible in gross
13 income shall be reduced by an amount
14 which bears the same ratio to such
15 amount as such expenses bear to such
16 distributions.

17 “(iii) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a des-
18 ignated beneficiary under a qualified tui-
19 tion program shall be treated as a distribu-
20 tion to the beneficiary for purposes of this
21 paragraph.
22

23 “(iv) COORDINATION WITH HOPE AND
24 LIFETIME LEARNING CREDITS.—The total
25 amount of qualified higher education ex-

1 penses with respect to an individual for the
2 taxable year shall be reduced—

3 “(I) as provided in section
4 25A(g)(2), and

5 “(II) by the amount of such ex-
6 penses which were taken into account
7 in determining the credit allowed to
8 the taxpayer or any other person
9 under section 25A.

10 “(v) COORDINATION WITH EDUCATION
11 INDIVIDUAL RETIREMENT ACCOUNTS.—If,
12 with respect to an individual for any tax-
13 able year—

14 “(I) the aggregate distributions
15 to which clauses (i) and (ii) and sec-
16 tion 530(d)(2)(A) apply, exceed

17 “(II) the total amount of quali-
18 fied higher education expenses other-
19 wise taken into account under clauses
20 (i) and (ii) (after the application of
21 clause (iv)) for such year,

22 the taxpayer shall allocate such expenses
23 among such distributions for purposes of
24 determining the amount of the exclusion

1 under clauses (i) and (ii) and section
2 530(d)(2)(A).”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 135(d)(2)(B) of such Code is
5 amended by striking “the exclusion under sec-
6 tion 530(d)(2)” and inserting “the exclusions
7 under sections 529(c)(3)(B)(i) and 530(d)(2)”.

8 (B) Section 221(e)(2)(A) of such Code is
9 amended by inserting “529,” after “135,”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to taxable years beginning after
12 December 31, 2000.

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